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Message Text

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ACTION EB-07

INFO OCT-01 NEA-06 ISO-00 FEA-01 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-05

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01 SAM-01

OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-01 /074 W
---------- 005413
R 271400Z NOV 74
FM AMCONSUL CASABLANCA
TO SECSTATE WASHDC 3157
INFO AMEMBASSY RABAT

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E.O. 11652: N/A
TAGS: EINV, ENRG, EIND, MO
SUBJECT: MOROCCANIZATION OF OIL MARKETING

1. LATEST ROUND OF OIL MARKETING NEGOTIATIONS NOW VIRTUALLY COMPLETED HAS BROUGHT SETBACK TO HOPEFUL PROGRESS WE HAD SEEN IN PAST FEW WEEKS. US COMPANIES AND MAJOR EUROPEANS HAVE ALL BEEN IN AND FOUND GOM NEGOTIATORS IF ANYTHING TOUGHER THAN IN EARLIER ROUNDS. NEGOTIATIONS CONDUCTED ENTIRELY BY DOUEIB.

2. ON MANAGEMENT ISSUE, ON WHICH MINCOMMERCE GHISSASSI HAD BEEN QUITE ENCOURAGING, DOUEIB HAS TOUGHENED. IN MOBIL CASE, HE WITHDREW AGREEMENT TO MOBIL OCCUPANCY OF BOTH DIRECTOR GENERALSHIP AND BOARD PRESIDENCY, IN PERSON OF ALAOUI, AND INSISTED SNPP MUST HAVE PRESIDENCY. IN ESSO CASE, TERMS FOR TRANSITION TO MOROCCAN MAMAGEMENT TOUGHENED. SNPP NOW DEMANDS EQUAL VOICE IN CHOICE OF DIRECTOR GENERAL AS WELL AS SNPP NOMINEE AS PRESIDENT; TRANSITION TO MOROCCAN AS DIRGEN IN TWO YEARS INSTEAD OF ESSO-PROPOSED 3-5 YEARS; AND WILL NOT GUARANTEE ACCEPTANCE OF ESSO-SELECTED AND TRAINED NOMINEE FOR POST. ALSO SNPP NOW WANTS SNPP NOMINEE
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AS ASST DIRGEN BY JANUARY 1975. EFFECT IS TO PUT IN

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DOUBT ESSO FUTURE MANAGEMENT CONTROL.

3. ON MORE CRUCIAL PRICE-REPATRIATION ISSUES, BOTH ESSO
AND MOBIL HAD PREVIOUSLY INSISTED THEY WOULD NOT GO BELOW
BOOK VALUE AS SALE FIGURE, THOUGHT GHISSASSI HAD GIVEN
AT LEAST TENTATIVE AGREEMENT. DOUEIB NOW SAYS WILL NOT PAY
BOOK, THUS TWO SIDES ESSENTIALLY BACK TO LAST SNPP- COMPANY
ROUND. MOBIL OFFER TO REINVEST PART OF PROCEEDS IN COMPANY
AND BALANCE IN OTHER MOROCCAN VENTURES DID NOT MOVE DOUEIB.
IN ESSO CASE,EVEN PAYMENT TERMS TOUGHENED.
IN ADDITION TO DEMANDING REINVESTMENT OF 2 MILLION DIRHAM
AND 2.35 MILLION DEPOSITED IN COMPTE CAPITALE, BLOCKED 4-7
YEARS, SNPP PROPOSES SPREAD PAYMENT OF 3.9 MILLION BALANCE
OVER THREE INSTALLMENTS UP TO DECEMBER 31, 1976 (WHICH
DILUTES EVEN ESSO'S PRESENT CONTRACTUAL RIGHT TO REPATRIATE
WITHOUT DELAY 25 PERCENT OF INVESTMENT, I.E. 3.9 MILLION).
NET EFFECT OF THESE NEW DEMANDS WOULD BE TO SUBSTANTIALLY
REDUCE REAL VALUE OF WHATEVER NOMONAL SALE PRICE AGREED.

4. REPATRIATION NOT MENTIONED IN MOBIL NEGOTIATIONS SINCE
MOBIL ALREADY PROPOSED REINVEST ALL OF PROCEEDS WITHIN
MOROCCO. IN ESSO CASE, EFFECT OF ABOVE PROPOSALS WOULD BE
SUBSTANTUALLY TOUGHEN PREVIOUS SNPP POSITION ON REPATRIATION.
(IN BP CASE, DOUEIB HAD AGREED TO FIVE-YEAR REPATRIATION,
THEN APPARENTLY OVERRULED BY GHISSASSI WHO DEMANDED BLOCKAGE
TILL 1982.)

5. BOTH SHELL AND TOTAL REPORTEDLY REACHED SIMILAR IMPASSE,
AND TOTAL SAID TO HAVE SERVED NOTICE WILL NOT RESUME
NEGOTIATIONS TILL SNPP ACKNOWLEDGES IN WRITING IT HAS
RENEGED ON PREVIOUS OFFERS. MOBIL HAS SUBMITTED, AND
ESSO INTENDS TO SUBMIT TO SNPP, STATEMENTS OF THEIR
RESPECTIVE POSITIONS.

6. ON MINOR, BUT SORE RELATED POINT, COMPANY 1973 DIVIDENDS
STILL BLOCKED DESPITE GHISSASSI UNDERTAKING SOME WEEKS AGO
TO "STRAIGHTEN MATTER OUT." COMPANIES ALSO OBJECT TO SNPP
CLAIM TO 50 PERCENT COMPANY 1974 PROFITS ON BASIS OF
DECEMBER 31, 1974 INVESTMENT. AMERICAN COMPANY VIEWS, AND
ALLEGEDLY THOSE OF EUROPEAN COLLEAGUES, SUBSTANTIALLY THE
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SAME.

7. WHILE AMOUNTS IN DISPUTE THESE NEGOTIATIONS RELATIVELY
SMALL, COMPANIES PROFESS GREAT CONCERN OVER BOOK VALUE
FIGURE AS MATTER OF PRINCIPLE WORLDWIDE. MANAGEMENT
DIFFERENCES, THOUGH NOW GREATER WITH SNPP NEW DEMANDS,
PROBABLY NOT INSOLUBLE. MORE DISTURBING TO COMPANY REPS
IS APPARENT REVERSAL IN GRADUALLY IMPROVING RECENT NEGOTIATING

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CLIMATE. THEY SAY DOUEIB SHOWING NEW CONFIDENCE AND AUTHORITY, AS THOUGH HE HAS NEW MANDATE, AND THAT HE SEEMS ALMOST TO BE SEEKING IMPASSE. THEY DETERMINED TO AVOID TAKING THE ONUS FOR BREAKDOWN, WILL NOW WAIT FOR GOM NEXT MOVE BUT PROFESS UNWILLINGNESS TAKE FURTHER INITIATIVE THEMSELVES. THEY ARE MUCH MORE PESSIMISTIC THAN A FEW WEEKS AGO AND RELUCTANT TO RETURN TO NEGOTIATION UNTILL SNPP GIVES CONCRETE ASSURANCE OF SPECIFIC AND FIRM CONCESSIONS ON ACTUAL ISSUES.

8. CHANGE IN GOM POSITION AND ATTITUDE PUZZLING BUT THERE IS NO DOUBT, BASED ON COMPANY REPORTS TO US, THAT SNPP POSITION HAS REGRESSED SUBSTANTIALLY. WE WILL BE CONSULTING WITH EMBASSY NEXT FEW DAYS ON ASSESSMENT OF DEVELOPMENTS AND PROSPECTS.
BRUBECK

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